

State of Maine
Office of Securities
121 State House Station
Augusta, Maine, 04333-0121

In Re:
Richard W. Preston

Consent Order
11-7752

This is an order of the Securities Administrator issued under 32 M.R.S.A. § 16412 with the consent of Richard W. Preston ("Preston") (CRD#2396186). Preston neither admits nor denies the Findings of Fact and Conclusions of Law set forth below, but agrees to the entry of this Consent Order, agrees that it shall have the same effect as an order issued after hearing, and waives his right to a hearing and to judicial review. Preston further agrees that he shall be precluded from disputing the Findings of Fact and Conclusions of Law as set forth herein in any other licensing proceeding in the State of Maine.

I. FINDINGS OF FACT

1. Preston is a resident of Hope, Maine. At all relevant times until August 4, 2011, Preston was an agent and investment adviser representative of Commonwealth Financial Network, ("CFN"), in Falmouth, Maine.
2. On or about January 11, 2011, Preston, participated in private securities transactions without providing prior written notice to, and obtaining prior written authorization from CFN. As described below, Preston facilitated the sale of approximately \$300,000 in promissory notes and common stock of Hydro Phi Technologies, Inc. of Doraville, Georgia (the "Issuer") to two Maine investors, both of whom were customers of CFN. In the fall of 2010, an acquaintance of Preston introduced Preston to the CEO of the Issuer, a new start-up company that was planning to raise capital. In January 2011, Preston was invited to attend an informational session put on by the Issuer at its facilities in Georgia. Preston invited two of his friends, both of whom were customers of CFN at the time, to attend this session. At the conclusion of this meeting, the CEO of the Issuer made an offer to the attendees to invest in the Issuer. Preston's friends, the two Maine investors, invested \$300,000 in promissory notes and common stock in this offering. Preston did not receive any commissions from the investments. Preston participated in these transactions, as described above, without providing prior written notice to, or obtaining prior written authorization from CFN. The promissory notes and common stock were securities.
3. Also on or about January 11, 2011, Preston borrowed \$20,000 from one of the Maine investors so that Preston could personally invest in the private offering. One of the Maine investors, a friend of Preston's, mailed a check in the total amount of \$120,000 to the Issuer to pay for his own \$100,000 investment and a \$20,000 investment for Preston. Preston repaid the \$20,000 approximately two days later, after liquidating other

investments. Preston did not disclose the loan to CFN. CFN prohibited loans from customers without prior approval. Furthermore, this type of loan was not permitted by CFN's Written Supervisory Procedures.

4. On July 12, 2011, as a result of a routine branch audit by CFN, the firm discovered that Preston had facilitated the purchase of a product not approved by CFN for at least two clients and borrowed \$20,000 from one of the investors. Preston was permitted to resign from CFN on July 15, 2011.
5. On June 1, 2012, Preston entered into an Acceptance, Waiver, & Consent ("AWC") with FINRA. The AWC imposed a fine of \$7,500 and a suspension from June 18, 2012, until September 27, 2012.

II. CONCLUSIONS OF LAW

1. The Maine Uniform Securities Act grants authority to the Securities Administer to take disciplinary action against a licensed person who has engaged in unlawful, dishonest, or unethical practices in the securities business if in the public interest. Under that authority, the Securities Administrator may "revoke, suspend, condition or limit the license of a licensee." She may also "censure, impose a bar on or impose a civil fine in an amount not to exceed a maximum of \$5,000 per violation on a licensee." 32 M.R.S. §16412(1)-(4).
2. Rule Chapter 504(8) lists practices that are considered to be "dishonest or unethical" under 32 M.R.S.A. § 16412(4)(M) if committed by a broker-dealer or agent. Among the "dishonest or unethical practices" listed are: "lending money or securities to, or borrowing money or securities from, a customer" and "as an agent, effecting a securities transaction where the transaction is not recorded on the regular books or records of the broker-dealer that the agent represents, unless the broker-dealer has given advance written authorization;" except under certain circumstances not present here.
3. By participating in private securities transactions without providing prior written notice to, and obtaining prior written approval from, CFN, and by borrowing money from a client, Preston is subject to discipline under 32 M.R.S.A. § 16412(4)(M) and Rule Chapter 504.
4. This Consent Order is in the public interest because it will protect Maine investors by deterring future misconduct by Preston and others and by fostering public confidence in the securities industry.

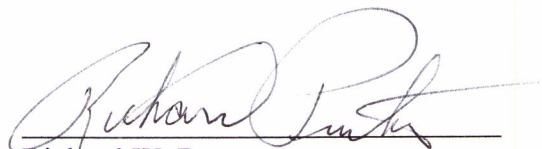
III. ORDER

1. Preston shall pay a civil fine of \$5,000. The fine is to be paid via check made payable to "Treasurer, State of Maine" and is due at the time Preston returns the Consent Order containing his signature to the Office of Securities. Failure to include payment in full with his signed copy of the Consent Order will suspend final execution of this Order by the Securities Administrator, at her discretion, until payment is received in full.

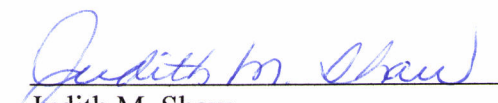
2. Should Preston become licensed in Maine as an agent, investment adviser, or investment adviser representative, any such license shall be subject to the following conditions and restrictions for a period of two years from the date of first becoming licensed:
- a. Preston will not act in any principal, supervisory, or managerial capacity for a broker-dealer or investment adviser;
 - b. After learning of any investigation or proceeding initiated by any regulatory body, or written or oral customer complaint against him arising out of activities in the securities, insurance, or finance industry, Preston shall immediately send written notification to the Office of Securities and within 15 days provide the Office with copies of any written, electronic or other materials in his possession involving the investigation, proceeding or complaint;
 - c. Any broker-dealer or investment adviser with which Preston is associated shall assign as Preston's supervisor an appropriately Maine-licensed person approved in advance by the Office; and
 - d. Any other conditions the Securities Administrator deems appropriate at the time of any new licensure.
3. Except as set forth above, the Securities Administrator agrees to take no action adverse to Preston based solely on the same conduct addressed in this Consent Order. However, nothing in this Consent Order shall preclude the Securities Administrator from: (a) taking adverse action based at least in part on other conduct; (b) taking this Consent Order and the conduct described above into account in determining the proper resolution of any action based on other conduct; or (c) taking any and all available steps to enforce this Consent Order.

Preston, by signing below, neither admits nor denies the Findings of Fact and Conclusions of Law set forth above, but agrees to the entry of this Consent Order, agrees that it shall have the same effect as an order issued after hearing, waives his right to a hearing and to judicial review, and agrees that he shall be precluded from disputing the Findings of Fact and Conclusions of Law as set forth herein in any other licensing proceeding in the State of Maine.

Date: 1/25/13


Richard W. Preston

Date: 1/28/2013


Judith M. Shaw
Securities Administrator